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# CENTRAL INTELLIGENCE GROUP INTELLIGENCE REPORT

COUNTRY Germany (Russian Zone)

DATE: 25X1A

SUBJECT Comments on Soviet AGs

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SUPPLEMENT

ORIGIN

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1. Since the period of the Moscow Conference it has become increasingly difficult to secure accurate data on Soviet AGs in Germany. A Russian captain, acting under orders of OMA, Karlshorst, early in May requested complete data on Soviet AGs, dismantling, reparations, etc., from the Chamber of Commerce in Leipzig. He twice returned and asked for specific assurance that no other copies of the data existed. Similar precautions were taken with the directorate of the Leipziger Messet. This is apparently part of an effort to make it impossible to prove Russian interest or participation in German economy.
2. In transfers of German industry to Soviet AGs, the AGs take over the assets of the firm, leaving the liabilities to be absorbed by the German state, which also must supply finances for current production. Under this primitive system, each firm requests from its nearest finance office a certain sum on the first of the month to cover its general production costs and raw material purchases; if necessary, a supplementary amount may be obtained from the Landesbank. These funds return to the finance office partly as taxes (payroll taxes, for example) and partly as raw materials via Karlshorst, which allots materials from captured supplies in Russian possession. Thus German funds and German raw materials are employed in production, but German provincial governments are suffering more and more difficulties. As a direct result of such measures, the budget of the Province of Saxony has a billion-mark deficit.
3. At an exclusive meeting of industrial and political leaders in Leipzig, early in May 1947, special considerations of Soviet AGs were brought out. The fifty-two AGs originally created in Saxony have been reduced to thirty-four by the return of the other eighteen to the Province of Saxony. The AGs are all firms of high quality in their respective fields and were neither damaged during the war nor dismantled afterwards. They receive preferential treatment on labor, equipment, and raw materials and fuel, using only German supplies. Their reparations orders have been registered as such with Karlshorst (as have also those of firms owned by the provincials) and no export limitations have been made.

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4. Firms returned by the Russians to the Province of Saxony were generally unprofitable or of little Russian interest. The 600 firms owned by the Province of Saxony require eighty million RM subsidy a year and are mostly in very bad condition as a result of bomb damage, dismantling, and poor management by the province. One case is known, however, of an undamaged firm which is still operating successfully as a private enterprise. Springer & Koeller was originally ordered dismantled, but the owners managed to have the order canceled. It was temporarily taken over as a Soviet AG but was later returned to its owners as private property. It is conjectured that the owners, who had a plant in Russia before the last war, were able to camouflage Russian interest in their firm by transferring some capital to the Russians as silent partners. The firm is functioning as one of the best plants in Saxony, with complete Russian support in every respect.

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